

(213) 240-8101

May 8, 2003

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**AGREEMENT AMENDMENT TO THE MEDICAL SCHOOL OPERATING
AGREEMENT WITH CHARLES R. DREW UNIVERSITY OF MEDICINE AND
SCIENCE (Second District) (3 Votes)**

IT IS RECOMMENDED THAT YOUR BOARD:

- ▶ Approve and instruct the Director of Health Services, or his designee, to sign Amendment No. 2 to Agreement No. H-210629 with the Charles R. Drew University of Medicine and Science (Drew University) for the continued provision of medical education and certain patient care services at Martin Luther King/Charles R. Drew Medical Center (King/Drew Medical Center) effective from Board approval through June 30, 2008, and to allow for the withholding of payment in accordance with a settlement agreement between the two parties related to the case of Fawzy Salama v. County of Los Angeles. The maximum annual County obligation in Fiscal Year 2002-03 under this agreement is \$13,469,724. The maximum annual County obligation for Fiscal Year 2003-04 is \$13,802,942.
- ▶ Authorize the County Counsel, or his designee, to execute all documents necessary to finalize the settlement with Drew University in Fawzy Salama v. County of Los Angeles, in accordance with the terms and conditions discussed in this Board letter.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

Under the medical school operating agreement approved in 1999 by the Board of Supervisors, the County can renegotiate annually the financing provisions to reflect changes in the nature or volume of services purchased under the agreement. This amendment reflects changes being made in the purchased services contained in this agreement.

FISCAL IMPACT/FINANCING:

There is no increase in net County cost as a result of the recommended action. The maximum County obligation of the operating agreement with Drew University in Fiscal Year 2002-03 is \$13,469,724. The maximum annual County obligation for Fiscal Year 2003-04 is \$13,802,942. The increase in the contract amount for Fiscal Year 2003-04 is \$251,770 over the Fiscal Year 2001-02 contract amount, which is offset by the transfer of funds from the hospital's Salaries and Employee Benefits budget to its Services and Supplies budget, as well as the withholding of \$100,000 annually to satisfy the University's obligation under its Settlement Agreement with the County in the case of Fawzy Salama v. County of Los Angeles.

Funding for this agreement is included in the Department of Health Services' (DHS) Fiscal Year 2002-03 budget and Fiscal Year 2003-04 budget request to the Board of Supervisors.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Department entered into the current agreement with the University on July 1, 1999. The agreement had an initial term of five years, with a one-year automatic extension at the end of each contract year, unless either party serves notice of non-renewal, in which case the agreement would expire five years hence.

To avoid the need to renegotiate the entire agreement each year, those provisions that are likely to change on an annual basis are contained in either addenda or exhibits to the agreement. Any material or substantive changes to either the agreement in whole or to the addenda, particularly with regard to the level of funding, require approval by the Board of Supervisors.

On September 21, 2000, the Chief Administrative Officer and the Auditor-Controller informed the Department of the change in County policy and procedures and of new guidelines for the timely submission of contracts for Board approval. The need for changes to the agreement was identified subsequent to July 1, 2002, and thus the amendment could not be processed within three weeks prior to the effective date.

Exhibit 1 lists the County and University administered training programs in place at King/Drew Medical Center. This exhibit has been updated to reflect changes in the training programs at the facility.

The Purchased Services Addendum (Addendum A) delineates the nature and volume of the services to be purchased under the agreement, as well as the funding of the agreement. The amendment contains several changes to Addendum A related to the transfer and incorporation of several programs into the agreement.

Addendum A is being revised to reflect the reimbursement to the University for the provision of additional services in the area of vascular surgery. The hospital has had difficulty recruiting and retaining qualified physicians through direct employment and the University has agreed to provide both academic and clinical services in this area. The availability of vascular coverage is essential to the hospital's provision of trauma services. The lack of sufficient vascular surgical coverage was identified by the American College of Surgeons Committee on Trauma in its most recent survey of King/Drew Medical Center's trauma program. Additional funding in the amount of \$18,552 is required to ensure the provision of adequate vascular surgery coverage for the remainder of the Fiscal Year. For the remainder of this Fiscal Year, the facility is purchasing 1,824 hours, or two full-time equivalent physicians, to provide this service. For Fiscal Year 2003-04, the hospital will be purchasing 8,784 hours, or five full-time equivalent physicians, to provide necessary vascular surgical coverage for the trauma service.

The amendment also contains a provision allowing the County to withhold payment annually in the amount of \$100,000 from the University, in accordance with a settlement agreement between the two parties related to the case of Fawzy Salama v. County of Los Angeles. Under this settlement agreement, the University agreed to pay the County \$1 million in ten annual installments of \$100,000. The County and the University have agreed that in lieu of a direct payment by the University, \$100,000 will be offset annually from the total payment for purchased services owed to the University under the agreement, with no diminution in the level of services provided. If the affiliation agreement is terminated, or expires prior to the University's payment of the full \$1,000,000, the University shall be obligated to pay the County the balance in annual increments of \$100,000 due on July 1 of each year, unless otherwise agreed to by the parties.

Upon your Board's approval of this payment arrangement for the settlement amount, County Counsel shall execute the documents necessary to finalize the settlement with the University.

CONTRACTING PROCESS:

This is an amendment to Agreement No. H-210629; as such the Department did not advertise this agreement on the Office of Small Business' Countywide Web Site. Additionally, because this is an amendment to an existing agreement, the Department did not competitively bid this contract.

IMPACT ON CURRENT SERVICES:

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Approval of this amendment will allow for the continued provision of clinical and academic services at King/Drew Medical Center.

When approved, the Department requires the original and three signed copies of the Board's action.

Respectfully submitted,

Thomas L. Garthwaite, MD
Director and Chief Medical Officer

TLG:ak

Attachments

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

AFFILIATION AGREEMENT

Amendment No. 2

THIS AMENDMENT is made and entered into this _____ day of _____, 2003,

by and between COUNTY OF LOS ANGELES (hereafter "County")

and CHARLES R. DREW UNIVERSITY OF
MEDICINE AND SCIENCE (hereafter "University").

WHEREAS, reference is made to that certain document entitled "AFFILIATION AGREEMENT", dated July 1, 1999, and further identified as County Agreement No.H-210629 (hereafter "Agreement"); and

WHEREAS, it is the desire of the parties hereto to amend the Agreement to make changes to Addendum A and Exhibit 1 as described hereinafter; and,

WHEREAS, said Agreement provides that changes may be made in the form of a written amendment, which is formally approved and executed by both parties.

NOW, THEREFORE, the parties hereby agree as follows:

- 1 1. This Amendment shall become effective upon approval by the Board of Supervisors.
2. That Addendum A shall be replaced with the revised Addendum A, attached hereto and incorporated by reference.
3. That Exhibit 1 shall be replaced with the revised Exhibit 1, attached hereto and incorporated by reference.
4. Except for the changes set forth herein, the remaining terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services, and University has caused this

Amendment to be subscribed in its behalf by its duly authorized officers, the day, month and year first above written.

COUNTY OF LOS ANGELES

By _____

Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer
Department of Health Services

CHARLES R. DREW UNIVERSITY OF
MEDICINE AND SCIENCE

By _____

Printed Name

Title _____

(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM

LLOYD W. PELLMAN

County Counsel

By _____

Deputy

APPROVED AS TO CONTRACT

ADMINISTRATION:

Department of Health Services

By _____

Chief, Contracts and Grants Division

EXHIBIT 1

County and University Training Programs

The following shall constitute ACGME-accredited County Training Programs, subject to this Agreement:

Anesthesiology

Dentistry (General)

Dermatology

Emergency Medicine

Family Medicine

Internal Medicine

 Cardiology

 Endocrinology

 Gastroenterology

 Geriatrics

 Infectious Disease

 Nephrology

OB/GYN

Ophthalmology

Oral & Maxillofacial Surgery

Orthopedics

Otolaryngology

Pediatrics

 Allergy

 Ambulatory Care

Child Development

Critical Care

Neonatology

Psychiatry

Radiology (Diagnostic)

Surgery

The following shall constitute University Training Programs, to be conducted in whole or in part at Primary County Facilities:

Alcohol and Other Drug Studies

Coding Specialist

Diagnostic Medical Sonography

Health Information Technician

Medical Assisting

Medical Imaging Technology

Nuclear Medicine Technologist

Nurse Midwifery

Pharmacy Technician

Physician Assistant

Radiologic Technologist

ADDENDUM A

Purchased Services

Contract Year Ending June 30, 2003 ("Contract Year 2003")

A.1 General. Payment for Purchased Services shall be calculated on a Department-by-Department basis and shall include (a) for clinical services, a payment based on the number of full-time equivalents (FTEs) provided, and (b) a payment for non-clinical (academic) services consisting of a fixed overhead plus a variable amount based on the number of County Housestaff and the size of the County Training Programs. In no event shall the fixed and per-unit rates or the payment methodology under this Addendum A be revised more frequently than every twelve (12) months. Any future revisions agreed upon by Parties to this Addendum A shall not take effect prior to approval by County's auditor.

A.2 Clinical and Academic Units of Service.

A.2.1 Clinical Services. The Parties agree that the volume of clinical Purchased Services will be measured on the basis of full-time equivalent (FTE) physicians and other clinicians. The proportion of Faculty FTEs devoted to clinical services will be allocated using Physician Time Study ("PTS") data from the most current period available. Pursuant to § 2.5.2.2, County shall reimburse University for its cost for University Housestaff, if any, assigned to Primary County Facilities.

A.2.2 Academic Services. The Parties agree that payment for academic and other non-clinical Purchased Services should reflect:

The following factors (including salary and benefits where applicable), which will not vary within a given range of programs and house staff, will be used to determine the fixed costs associated with the provision of academic services: overall academic infrastructure; University Representative; Academic Director; and University's administrative personnel.

The following factors, which will not vary within a given range of Housestaff enrolled in that program, shall be used to determine the variable costs associated with the delivery of academic services: the size of the County Training Program and the number County Housestaff. Variable costs may vary based upon whether the program in question is a small or large program.

A.3. County Training Programs, by Size.

For purposes of the payment methodology set forth in this Addendum A, each County Training Program shall be categorized as a "Small" program if fifteen or fewer (≤ 15) Housestaff are enrolled for Contract Year 2003, or as a "Large" program if over fifteen (>15) are enrolled for that period. The Small and Large County Training Programs for Contract Year 2003 shall be as follows:

| <u>Size</u> | <u>Annualized Housestaff FTEs</u> |
|-------------|-----------------------------------|
| Small | Fewer than fifteen (≤ 15) |
| Large | Over fifteen (>15) |

| <u>Small Programs (17)</u> | <u>Annualized Housestaff FTEs</u> |
|--------------------------------|-----------------------------------|
| Dermatology | 6.0 |
| General Practice Dentistry | 7.0 |
| Medicine – Cardiology | 2.0 |
| Medicine – Endocrinology | 3.0 |
| Medicine – Gastroenterology | 3.0 |
| Medicine – Geriatrics | 5.0 |
| Medicine – Infectious Disease | 2.0 |
| Medicine – Nephrology | 3.0 |
| Ophthalmology | 6.0 |
| Oral and Maxillofacial Surgery | 9.0 |
| Orthopedics | 10.0 |
| Otolaryngology | 7.0 |
| Pediatrics – Allergy | 3.0 |
| Pediatrics – Ambulatory Care | 0.0 |
| Pediatrics – Child Development | 1.0 |
| Pediatrics – Critical Care | 4.0 |
| Pediatrics – Neonatology | <u>1.0</u> |
| | 72.0 |

| <u>Large Programs (9)</u> | <u>Annualized Housestaff FTEs</u> |
|---------------------------|-----------------------------------|
| Anesthesiology | 18.0 |
| Emergency Medicine | 44.0 |
| Family Medicine | 22.0 |
| Internal Medicine | 43.0 |
| Obstetrics-Gynecology | 15.0 |
| Pediatrics | 36.0 |
| Psychiatry | 28.0 |
| Radiology | 15.0 |
| Surgery - General | <u>43.0</u> |
| | 264.0 |

A.4 Volume of Purchased Services; Fixed, Variable and Total Payment.

A.4.1 Clinical Services. For the Contract Year ending June 30, 2003, University shall provide no fewer than those Faculty physician FTEs in the specialty areas as set forth below. In the event that County's requirements exceed or fall short of these numbers, the Parties may negotiate a different volume of services for future contract years; however, the rates set forth in § A.4 shall not vary during the course of Contract Year 2003.

| <u>Department/Service</u> | <u>Clinical FTEs</u> | | <u>Payment</u> | |
|-----------------------------|-----------------------|-------------------|----------------------|----------------------|
| | | | <u>Contract Year</u> | <u>Contract Year</u> |
| | | | <u>2003</u> | <u>2004</u> |
| Anesthesia | | 7.75 | \$ 1,300,907 | \$ 1,300,907 |
| Neurosciences | \$ 90,000 | \$ 0.50,000 | | |
| Ophthalmology | \$ 638,392 | \$ 468,392 | | |
| Orthopedics | \$ 187,373 | \$ 1187,373 | | |
| Vascular Surgery 1 | | 3.0 | \$ 18,552 | \$ 351,770 |
| Urgent Care at Humphrey CHC | | | | |
| | Physician FTEs | 9.0 | | |
| | Non-Physician FTEs | 2.0 | | |
| | | | \$1,433,172 | \$1,433,172 |
| | Total Clinical | 33.668,396 | \$2,701,614 | \$2,701,614 |

A.4.2 Academic Services. During Contract Year 2003, University shall provide academic and other non-clinical Purchased Services as needed to support the Training Programs at the levels set forth below:

| <u>Variable Academic Cost</u> | <u>Unit Price</u> | <u>No. of Units</u> | <u>Total Price</u> |
|--|-------------------|---------------------|----------------------------|
| Program Directors | \$ 25,000 | 27 | \$ 675,000 |
| Small Program | | | |
| Base Cost (per program) | \$ 155,000 | 17 | \$ 2,635,000 |
| Large Program | | | |
| Base Cost (per program) | \$ 460,036 | 9 | \$ 4,140,328 |
| <i>Total Variable Academic Cost</i> | | | <i>\$ 7,450,328</i> |
| <i>Total Fixed Academic Cost</i> | | | <i>\$ 2,451,000</i> |
| Total Academic | | | <u>\$ 9,901,328</u> |

1 This figure is agreed upon for Contract Year 2003 as a result of the University's recognition of the County's current fiscal condition. It shall not be construed as a precedent for future allocations for vascular surgical services, nor shall it serve as a basis for determining the amount allocated for other items in this Affiliation Agreement.

A.4.3 Total Payment for Purchased Services

| | Contract Year <u>2003</u> | Contract Year <u>2004</u> |
|---|------------------------------|------------------------------|
| Clinical Purchased Services Total: | \$ 3,668,396 | \$ 4,001,614 |
| Academic Purchased Services Total: | \$ 9,901,328 | \$ 9,901,328 |
| Payment for Clinical and Academic Purchased Services: | <u>\$13,569,724</u> | <u>\$13,902,932</u> |
| Off-Set Pursuant to Salama Lawsuit | | |
| Settlement Agreement ² | (\$ 100,000) | (\$ 100,000) |
| Total Payment for Purchased Services: | <u>\$13,469,724</u> | <u>\$13,802,942</u> |

A.5 Performance Standards. University shall meet performance and productivity standards in this Agreement, including those established under Addendum B. University shall also participate in the development of standards pursuant to Addendum B.

² Pursuant to the Settlement Agreement between the County and the University in the case of Fawzy Salama v. County of Los Angeles (BC185587), University agreed to pay County one million dollars in ten annual installments of \$100,000. The County and the University have agreed that \$100,000 will be offset annually from the total payment for purchased services owed to University under the Affiliation Agreement. There shall be no diminution in the level of purchased services provided by the University as a result of the \$100,000 annual offset amount. Should either the County or the University terminate this Affiliation Agreement, or if the Affiliation Agreement expires prior to the County's recoupment of the entire \$1,000,000, the balance of the obligation shall continue to be paid by the University to County in annual increments of \$100,000, due on July 1 of each year until the total sum of \$1,000,000 has been paid in full, unless otherwise mutually agreed upon in writing by the parties.

A.6 Primary County Facilities. The following facilities, certain of which are within County's Southwest Cluster, shall constitute the Primary County Facilities:

Martin Luther King, Jr. / Drew Medical Center, including Martin Luther King Hospital, the Augustus Hawkins Mental Health Building, the Trauma Building, the I&R Building, the OASIS Clinic, and public housing locations designated by County as resident training sites

Hubert H. Humphrey Comprehensive Health Center

Dollarhide Health Center

SUMMARY OF AGREEMENT
(Charles R. Drew University of Medicine and Science)

1. **AGENCY ADDRESS AND CONTACT PERSON:**

Willie T. May
Administrator, King/Drew Medical Center
Telephone: (310) 668-5201

2. **TITLE OF PROJECT:**

Amendment to the Medical School Operating Agreement with the Charles R. Drew University of Medicine and Science.

3. **TERM:**

Board approval through June 30, 2008.

4. **FINANCIAL INFORMATION:**

The maximum annual County obligation in Fiscal Year 2002-03 under this agreement is \$13,469,724. The maximum annual County obligation for Fiscal Year 2003-04 is \$13,802,942. There is no increase in net County cost.

5. **GEOGRAPHIC AREA TO BE SERVED:**

Second District.

6. **ACCOUNTABLE FOR MONITORING AND EVALUATION:**

DHS Director and Chief Medical Officer; King/Drew Medical Center administration.

7. **APPROVALS:**

| | |
|------------------------------|---|
| DHS Chief Operating Officer: | Fred Leaf |
| Director of Finance: | Gary Wells |
| County Counsel (as to form): | Elizabeth Friedman, Deputy County Counsel |